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Modernisation between Economic Requirements and Religious Law: Islamic Banking in Malaysia

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Modernisation between Economic Requirements and Religious Law: Islamic Banking in Malaysia[1]

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Introduction

The question of whether or not the taking of interest is legal or at least legitimate has been discussed in the past over and over again. All great religions took up the issue, and in most cases the outcome was the prohibition of interest (for some time at least) or regulation (see Schrader 1997). With the emergence of trading capitalism financial instruments were required and used in economic long-distance transactions (e.g. Braudel 1982) and economic necessities and religious morality had to come to an arrangement. Finally an instrumental rationality came out of the modernisation process, which sacrificed moral concerns for the sake of economic ones. Modern Islam, however, has set codes of conduct even in the economic sphere which have been based on religious grounds. An outcome of this is Islamic banking which operates within rather narrow ethical boundaries. According to its self-understanding it provides an alternative to Western banking for Muslim countries all over the world.

I shall start with a description of Islamic banking in theory and practice and present the case of Malaysia. In the second part of this paper I shall interpret Islamic banking in the light of the Islamic modernisation project, which is in some regards similar, and in others different, to the Asiatic-values rhetoric. Finally I shall conclude that the Islamic modernisation project is also an attempt to re-embed the economy in culture. From such a perspective Islamic banking is not only an inner struggle between traditional and modernist values, but a reaction to the Western, disembedded market model.

(1) Islamic Banking in Theory and Practice

Islamic banking is one of the fastest-growing segments of Middle Eastern finance and also enjoys high popularity and growth in other Islamic countries. Dating back to 580

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[1] Paper presented at the Second EUROSEAS Conference, Hamburg, 3-6 September, 1998 in the panel 'The Culture of Southeast Asian Markets'.

AD it experienced a certain period of practice,[2] disappeared again but was kept alive by religious disputes (Nazim Ali 1993). With growing economic requirements, often during a period of colonial rule, Western-type banks were set up. Finally, in 1965 recommendations were passed by the Second Annual Conference of the College of Islamic Research that 'interest charged on the various kinds of loans constitutes unlawful usury, regardless of whether the loan is for what is called consumption or production' and that 'much and little usury is unlawful' (Homoud 1985: 4). These recommendations also included a call for joint effort of Muslim scholars, financiers and economists to revive Islamic banking in practice.

Several Islamic countries reacted to this call. In the Egyptian city Meit Ghamr the first Islamic savings bank was set up in the 1960s. Although the experiment was abandoned in 1968, the idea was revived in 1971 with Nasser's Social Bank. Jordan and Dubai soon followed the Egyptian example. In 1974 an agreement was reached by 23 Islamic states to approve participation in the Islamic Bank for Development, the aim of which was among other things to support the economic development and social progress of the peoples of the member states and Islamic societies, in accordance with the Islamic law, the *Shari'a.* [3] (Homoud: 1985: 5).

Nowadays Islamic banking is wide-spread in countries which practise Islamic law as well as in countries with larger Islamic communities. Some of them (Sudan, Iran, Pakistan) made Islamic banks mandatory while others developed a parallel structure of Western and Islamic banks, so that the customers have a choice between the two. In many cases even international banks have set up their Islamic bank branches,[4] because

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[2] It should be emphasised that Islamic banking was an outcome of the Islamic trading city states of the Arabian peninsula, and the guidelines were an adaptation to pathologies such as individual hoarding and usury which impeded the development of these city states (Wohlers-Scharff 1983: 75).

[3] *Shari'a*, (Arabic, “the way”), refers to the body of laws and rules that regulate Muslim life. These laws are an expression of God’s will, according to Muslim belief, although derivation and application of the law depend on judicial interpretation of different schools. Four principal sources provide inputs to the *Shari'a*: the *Qur'an*; the *Sunnah* (collection of actions and sayings of the prophet); consensus of the schools in their interpretations; and reasoning by analogy, derived from interpretations of *Qur'an* or the *Sunnah*.

[4] To mention some of these banks: ANZ Grindlays, Citibank, Bankers Trust New York Corp., and Chase Manhattan Bank (Barraclough 1995).

they are afraid to lose those Muslim customers who wish to lead a business live in accordance with the religious guidelines.

Islamic banks are not allowed to engage in activities that are forbidden by the *Shari'a* and therefore cut off from a number of financial instruments which are used by Western banks. Prohibitions include the taking of interest (*riba*), speculation (*gharar*), and the financing of certain activities that are prohibited by Islam, such as the production of, or investment in, a distillery or gambling house. In Arabic *riba* means both 'usury' and 'interest'. There is no explicit prohibition of interest in the *Qur'an* or *Sunnah*. Therefore, the meaning of *riba* depends on interpretation, which differs from one Islamic school to the next.[5] Most scholars, however, agree that both usury and the taking of interest are not allowed. It is argued that Muslims have to provide benefits to the Islamic community (*Ummah*) by promoting economic development and social welfare. This requires investment in production and services. Capital increase by means of interest offends this principle and is therefore harmful to community development.

In the same way Islam encourages consumers to purchase rather than keep money idle by saving. Money constitutes purchasing power, and it cannot be increased other than by doing purchases and sales. The making of profit is principally allowed, but its predetermination is prohibited. This means that profit-oriented transactions have to be subject to 'uncertain gain' (Cunningham 1990: 3-4; Zineldin 1990: 80; de Belderer et al. 1993: 13). In a strict sense of the principle, even inflation cannot be taken into account in advance.

A good loan, which is called *quard-e-hassan*, is such where the lender does not charge an interest or additional amount over the money lent.[6] Some Islamic countries require a certain percentage of transactions of banks as *quard* according to charity. Of course, such loans are limited in number and amount. In banking practice, however, rather high service charges are added to these interest-free loans. Critics say that these constitute concealed interest which is an offence against the *Shari'a*. Practitioners reply that

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[5] Central to the question of *riba* is a verse in the *Qur'an* (LXIV: 18) which literally means: 'When you provide God an [interest-free] loan, he will double it'. This verse, strictly speaking, does not prohibit interest. Since the verse is literally, however, very close to the *riba*-verse (also mentioning the 'doubling'), orthodox interpreters argue that the *Qur'an* prohibits a compensation higher in value or quantity (Amereller 1995: Ch. 7)

[6] In its classical dimension *quard* concerned the borrowing and lending of things and intended to prohibit speculation in price differences.

interest relates to time and service charges not, but that due to high fixed costs the administration of small loans is considerably expensive.

From the theoretical perspective Islamic financial instruments[7] have to be in line with the premises set by the *Shari'a*. This means first of all, that banks offer a variety of fixed terms instruments (e.g. security accounts, investment accounts, etc.) to the public to raise funds, but instead of fixed returns in the form of interest, the customers share risks and profits of the bank. In the case of current accounts the bank takes the risk, but does not offer a return to the customer. Secondly, there are a number of trade-related and investment-related financial instruments: mark-up pricing; financing with buy-back agreement; financing of entrepreneur activity; discounting of trade bills; leasing; hire-purchase; term finance certificates, and the like. Many of these are also found in Western-style banking but some of them are Islamic inventions. I shall take a closer look at mark-up pricing, financing with buy-back arrangement, financing of entrepreneur activity, and rental or hire-purchase financing to show how financial instruments avoid the interest prohibition.

(a) mark-up pricing or *murabaha* is an agreement according to which the bank purchases goods for the borrower who pays a higher price to the bank at a future date. During the specified period (often three months) the bank remains the nominal owner of the goods and bears the risk. The surcharge depends on the type of commodities and credit rating of the borrower. As a premise, it should not be related to the time involved and therefore should not be increased if the loan period is extended.

(b) A special form of *murabaha* is the mark-up pricing under a buy-back arrangement, which is more convenient to banks.[8] While in ordinary mark-up transactions the bank deals with both seller and borrower, in this case the user purchases the goods from the original seller by himself with a credit from the bank. He nominally sells them to the bank and signs a contract to buy them back with a surcharge after a specified period. In case of default of borrowers banks usually reschedule the contract, due to limited

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[7] In the description of Islamic financial instruments I follow Amereller (1995); Cornelisse and Steffelaar (1995); De Belder et al. (1993); Homoud (1985); and Kazarian (1993); Wohlers-Scharff (1983).

[8] Sale-repurchase contracts have always been appropriate for financial institutions and agents in Islamic and non-Islamic countries to circumvent a prohibition or regulation of interest (see Schrader 1997).

liability of the borrowers,[9] instead of filing a suit and receiving only meagre compensation.

(c) *Mudaraba* is an agreement of co-operation between a financier and an entrepreneur who contributes his labour and skills. The arrangement is comparable to the Roman *commenda*. Profits are shared according to a fixed ratio, while in case of losses the financier loses part or whole of his capital input. According to Islamist theorists *mudaraba* is a desirable arrangement because the financier assists somebody with little financial means and is motivated more by charity than by economic aspects. This assumption holds, perhaps, true for small communities with face-to-face relations but of course not for modern economies where borrowers and lenders do not know each other.

(d) Rental financing (*ijara*) functions in that way that the bank acquires equipment or buildings and make them available to the client with a rent contract. In hire-purchase financing (*jjara wa iktina*) the tenant pays instalments into a savings account and finally achieves the rented objects. The reinvested capital of this savings account usually works in favour of the bank.

The requirements to Islamic banking constitute a dilemma for its operation: the dilemma of adverse returns-risk between lender and borrower and a problem of moral hazards for lenders. Since banks have to take a lenient position towards borrowers and, if necessary, postpone the repayment, particularly risky borrowers seek such contracts, while secure borrowers are punished with the high risk premium - an outcome of the borrowers' structure. Banks in turn do not favour such arrangements because of their weak legal position towards borrowers. Furthermore, since the contracts are based on profit-sharing, borrowers aim at understating their real profits.

(e) In *musharaka* arrangements parties contribute capital for a certain project. Risks and revenues are divided according to pre-fixed rations. In Western terminology this is equity participation. This financial instrument is more convenient to banks than the *mudaraba*. They often provide capital for a certain project and obtain stocks of the enterprise.

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[9] In Pakistan, for example, they are liable only to the mark-up price plus liquidated damages of a maximum of 20 percent of this price. As the courts work very slowly real losses would exceed this by far (Cornelisse and Steffelar 1995: 694).

Islamic Banking in Malaysia[10]

Malaysia has a parallel structure of Western-type and Islamic banks. Bank Islam Malaysia Berhad constitutes the top provider in Islamic banking and started this service in 1983 according to pressure of Muslims on the government.[11] The bank was incorporated as a limited company under the Companies Act of 1965, and an Islamic Banking Act was issued, due to the fact that the ordinary banking act referred to interest-based operations. The main shareholders of the bank was the government with almost 30 percent, followed by the State Religious Council which kept 25 percent. Nowadays the bank operates with more than 60 branches across the country.

Interestingly, only 40 percent of the bank's clients are Muslims. The reason is that the bank is highly competitive to Western-type banks with regard to returns to customers. During the past five years the availability of Islamic financial instruments has been increasing. Malaysia has become the first country that has an Islamic banking system which offers a wide spectrum of Islamic financial instruments.

In 1993 a second bank, Bank Rakyat, converted into interest-free banking. It provides co-operative banking and serves mainly individuals and retailers. Furthermore, almost 40 conventional banks, which are afraid to lose their Muslim customers, have introduced their Islamic bank sub-divisions. One of them is Maybank, the largest bank in Malaysia.

The Islamic banks in Malaysia offer returns on an interest-free profit-and-risk-sharing basis, and credit facilities through a number of schemes. They receives deposits from the public in the form of current accounts, savings accounts, investment accounts and special investment accounts. Savings accounts are run free of cost without providing interest or profit and mainly serve as safe-keeping (*al-wadiah*) of funds. The banks get permission from the customer to work with the capital. For savings accounts the banks may reward the customer a share of the bank profits. Investment accounts are term deposits, which the customer invests into the bank enterprise. The customer shares

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[10] Here I follow Ariff (1988), Man 1988), Hiebert (1995) and Barraclough (1995).

[11] The attempts to institutionalise Islamic banking date back to 1969 with the Pilgrims' Management and Fund Board and the Pilgrims' Affairs Department which was set up by the government to support all Muslim activities for pilgrimage.

profits and risks according to a specified ratio. Special investment accounts are accounts of the government or corporate customers which work like investment accounts.

Project and trade financing of the bank functions according to the *mudaraba* and *musharaka* principles and include mark-up financing, deferred-payment sales, hire-purchase and leasing. Furthermore the financial services include stock brokerage, government bonds an insurance fund according to Islamic principles. BIMB Securities is a stock brokerage which Bank Islam owns by 70 percent. It avoids speculative ventures and does not deal in stocks of companies which offend against the *Shari'a*. Among the more than 500 listings of the KL Stock Exchange (before the crisis) more than half are acceptable for Islamic banking. It is expected that this brokerage may become attractive for foreign Muslims too. On government bonds the central bank provides a share of returns instead of interest. The trustee profit-sharing insurance scheme 'Suarykat Takaful Malaysia' is organised in such way that customers who do not make claims obtain profit shares when their polices expire.[12]

Among the most popular Islamic financial instruments is pawnbrokerage. Like in other countries it serves mainly poor people. A great number of Bank Rakyat branches offers pawnbrokerage according to Islamic principles. Instead of interest it takes a fixed fee per month, which is in many cases much cheaper for the customers than conventional pawnshops.[13] The bank's pawnshops only accepts gold and provide loans up to 50 percent of value of the pawns for a period of six months, after which a three-months extension can be obtained. Then the pawn is sold if not having been redeemed.

Critics hold that Malaysian Islamic banks take up quasi-interest operations, because Malaysia's parallel banking system provides a highly competitive environment. The returns of Western banks in the form of interest, and Islamic banks in forms of non-interest are finally almost the same. Contrary to the critique of orthodox Muslim scholars, progressive ones blame the Islamic banks in Malaysia to be not innovative enough. For example, they have failed to develop one particular market niche which is characteristic to the Islamic principles: social banking to help the poor. In addition to

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[12] One wonders, however, if such a schemes is not contrary to the principle of solidarity which is important for Islamic law.

[13] Conventional pawnshops usually take an interest of 2 percent per month.

pawnbrokerage the financing of social projects and basic infrastructure might fit into this category. Furthermore new instruments have to be invented for current or savings accounts to compete with conventional instruments, such as overdrafts and short-term advances.

To summarise the issue of Islamic banking in theory and practice, from the Western economic point of view - and this is the perspective most scholars take - Islamic law and ethics provide a quite narrow corset to financial, as well as commercial transactions. In a number of Islamic countries the *Shari'a* plays an important role and structures everyday-live and the economy. On the other hand, Muslim scholars and bankers refer to high growth rates of Islamic banking which proves that it provides an alternative to Western-type banking. Indeed, this cannot be denied, but in absolute numbers as well as market shares it is still comparatively small, except in countries without parallel banking structure, such as in Sudan, Pakistan or Iran. So far the majority of Muslim bank customers are no customers of Islamic banks, and a number of Muslim investors seek the most lucrative investment opportunities for their capital, be they Islamic, quasi-Islamic or Western, in spite of the *Shari'a*.

Nevertheless, the largest Islamic banks are expected to grow further. For the Middle East it has been prognosticated that they will capture at least 50 percent of savings during the next decade.[14] However, a handicap is that there is not yet general acceptance of financial instruments in different Islamic countries, because the religious committees of the national Islamic banks differ in their strictness with the application of Islamic law.

Therefore a number of Islamic banks do not use the wide range of financial instruments that theory offers, but have a strong inclination towards instruments which are very similar to interest-based financial transactions, and the returns in interest or non-interest are often almost the same. Scholars argue that Islamic banks are getting under pressure of expectations of their customers. Even Muslim customers of Islamic banks have begun to require returns for their deposits, and Muslim investors threaten to shift their capital to western-type banks, be they abroad or in their own countries. This has also contributed to the weakening of strictness of the application of Islamic law. A

[14] Among these large banks are Kuwait Finance House and Al-Rajhi Banking and Investment Corporation (Kuwait), Jordan Islamic Bank, Faysal Islamic Bank of Bahrain, to mention some.

number of Islamic banks offer such instruments which in their returns are comparable to interest-based financial instruments. Middle Eastern banks, on the other hand, have begun to offer non-interest returns as a compromise between economic requirements and religious thresholds. Savers obtain certain compensations such as flights to Mecca instead of interest on their savings.

But Islamic banks do not only react to their customers' wants; they are economic actors as well. As long as they are state banks their economic standing will perhaps be less important than in case of private banks or even Islamic branches of Western banks. Statistical evidence suggests that Islamic banks invested large amounts of capital in interest-bearing transactions in foreign banks instead of providing interest-free finance to the Islamic world.

On the other hand, also ordinary people with small savings, who want to lead a religiously adequate life, belong to the customers of Islamic banks. In many cases the banking and religious spheres are not strictly differentiated from one another, so that Islamic banks raise savings in offices on the ground of a mosque, and also the mullahs take direct influence on economic life. Kazarian (1993) rightly emphasises that Islamic banks take a positive role in mobilising savings from lower-income people, who would otherwise not have access to banks.

Now it is my intention to provide a potential explanation to the wide gap between theory and practice of Islamic banking. I believe that a tentative answer can be found in an alternative concept of modernity and an intrinsic tension in the process of modernisation, which becomes particularly visible in the Islamic world.

(2) Western and Non-Western Modernity and the Re-embedding of Markets

Modernity constitutes the key concept of societal and economic development. It emerged as a European project during Enlightenment. With the expansion of capitalism and particularly colonialism it spread around the world as a <u>universal</u> idea.

> "The local law of Western civilisation that called itself modernity could be articulated as universal and *felt* like universal thanks to the universality of the embrace in which the West squeezed the rest of the human globe: it

> was the globality of their domination that allowed Europeans to project '*their* civilisation, *their* history, *their* knowledge as civilisation, history and knowledge *überhaupt*" (Bauman 1995: 22-3, quoting Klemm 1993: 19).

Modernisation is the way from tradition to modernity, a process which required the destruction of the old social structure (Eisenstadt 1979), disenchantment of the world, secularisation and rationalisation of life (Weber 1950). It engendered a functional differentiation of society into distinct sub-systems (Parsons 1952) which in turn developed different system rationalities (e.g. Luhmann 1984). However, an intrinsic tension is subject to modernity which relates to the distinction between formal and substantive rationality (Weber 1985: 45 ff.; Polanyi 1979: 209 ff.), their different qualities, guidelines to action and underlying ethics (see Evers and Schrader 1994). Modernity sacrifices substantive concerns for the sake of rationalisation and efficiency. This tension is even more felt in countries where a colonial state established itself on pre-modern policies and finally withdrew, leaving a cultural, legal and bureaucratic heritage, on which the new, post-colonial states emerged (Stauth 1992: 7).

Contemporary modernisation theories break with the conventional, static concepts of tradition and modernity. The latter is no longer an end that will sooner or later be achieved by all societies, but an ongoing process. It can only be explained by its antonym: tradition (Dumont 1986). It involves a specific, reflected organisation of the past in relation to the present (Giddens 1990; Beck et al. 1994; Eisenstadt 1998). In the same way tradition is not simply the past, it is the product of reflection on modernisation: it has been invented (Hobsbawm and Ranger 1983). And finally, its universality has been challenged by non-western scholars, who deconstructed it as an Occidental product. They search for <u>modernities</u> in accordance with their own cultures.

An expression of this intellectual confrontation are the ongoing cultural-value debates, two of which are 'the Asiatic' or 'Islamic way to modernity'. Southeast Asian politicians and Islamic religious leaders set apart from the West with anti-western, and particularly anti-American, ideologies and sentiments. According to their rhetoric western modernity is individualistic, and therefore destructive, leading to a dead alley which manifests itself in anomie (disorientation, increase of criminality, inter-generation conflict, etc.) and an economic crisis. The maintenance and support of non-western values on an indigenous path to modernity, however, can avoid these pathologies, because it is believed that the own values are superior to western ones. In both discourses they stand for collectivism (family or 'imagined family' of people sharing the same identity or cultural context - forming a community), order and morality, consensus and submission to higher authority. Responsibilities towards kinship and community range higher than individual rights and aims.[15]

The Asiatic-values debate, which has extensively been commented by a number of scholars (see e.g. Dupont 1996; Jeung Lee 1995; Heberer 1997), is rooted in the Confucian, and the Islamic-values debate in the Muslim heritage. Interestingly the Islamic countries in Southeast Asia actively participate in the former instead of referring to the latter debate. An explanation to this will be attempted later. Now I shall raise the question, what is particularly 'non-western' to the supposed 'non-western values'.

According to Senghaas (1995: 25) there is nothing particular, but the alleged non-western, values are identical to the European values of yesterday. The more astonishing is that also western, particularly conservative, scholars who in Weberian tradition not very long ago considered such values as the main impediment to development, now celebrate those attributes which are expressed by 'Asiatic values' as components of postmodern society and as a possible way out of the western economic crisis, whereas they call the same values in the Islamic discussion 'fundamentalist'. The other way around, what Asian politicians or Islamists conceive as 'western values', is not traditionally western, but an outcome of modernisation: individualism, pluralism, majority principle, participation, and the like. Traditional European values were similarly collectivist as the assumed non-western ones, but they lost importance or changed in the course of modernisation.

What is addressed in these non-western values are the attributes of 'community', however, they are uncoupled from tradition: they get an important symbolic function within the project of modernity. Modern societies and conglomerates of people with shared identity such as religion, citizenship or civilisation, constitute 'imagined (or substitute, H.S.) communities' (Anderson 1983). They are addressed by kinship

[15] "Asiatic values" comprise collectivism and group interests instead of individuality; reliability towards community instead of individual rights and freedom; paternalistic, family-oriented, consensual and clientelist political action instead of pluralism and democracy; respect and acceptance of authority and social order; higher rating of personal relations rather than personal qualities; harmony and consensus instead of discourse and confrontation, conflict and competition; higher rating of ethics and morality before law; and specific values of business ethics: diligence, hard work, thrift and frugality, self-discipline, obedience, patience (e.g. Robison 1996, Rodan 1997). The rhetoric on Islamic values is similar.

terminology,[16] and the assumed attributes of relationship such as trust, brother- and sisterhood, or self-sacrifice for the common good are ingredients of the glue of society which allows peaceful coexistence, provides an identity of participating in a joint, indigenous modernisation project, and smoothens the tension which is intrinsic to modernity. Community and substitute community have an underlying, sense-giving, uniting ethics - be it religious, philosophical, nationalist or fascist. Islam particularly makes extensive use of such symbols. The *Ummah,* the community of Muslims, is perceived as trustful *per se* because of sharing the same faith and following the *Shari'a*.

Modernity is characterised by an immanent tension between transcendental and profane order which has manifested itself in the revitalisation of cultural tradition and setting apart from western modernity in a number of non-western countries (Eisenstadt 1998: 9ff.; Stauth 1998: 132ff.). All these countries where the discussion and ideologisation of non-western values take place, are in a process of economic, social and political change. During the last decades East and Southeast Asia experienced rapid economic growth, from which not only the elite, but also larger parts of the population could benefit. They constitute an emerging middle class which opts for democratisation and political pluralism. The Asiatic-value ideologisation has therefore rightly been interpreted as an attempt of the old political and economic elite to secure its diminishing power and legitimacy of force (e.g. Jeung Lee 1995; Dupont 1996; Rodan 1997; Heberer 1997).

The Middle East, however, has been characterised by a deep chronic development crisis and no visible promising ways out of it (Senghaas 1995: 26). According to Stauth (1995: 92-96) the image of Europe and its modernisation influenced the thinking and politics of national elites, and they even adopted the European view of Arabic static tradition. As an outcome of this view, modernisation projects were very technical and instrumental. The backward looking class of orthodox religious leaders in turn held on the absolute validity of Islamic law as opposed to secular, western law. In everyday-life this tension takes a number of facets. For example, in Oman, Kuwait, Libya and the Arab Emirates the toleration of interest in commercial law is opposed by its prohibition in civil law.

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[16] Typically used terms are such 'community of brothers and sisters', 'mother nation', or 'father state'.

According to Stauth recent modernists have critically reflected on their intrinsic cultural values in search of an alternative to Western modernity, to overcome the tension between (the adapted) modernity and (the perceived) tradition within their own culture. They aim to abolish the monopoly of interpretation of the scripts with regard to law and morality and to re-interpret these in a rationalist, utilitarian and functional way, to reconstruct moral and religious considerations and combine them with social aspects of modern life (Stauth 1995; 1992: 8).

In analogy to this interpretation my view on Islamic banking is that the wide gap between theory and practise is an expression of this tension that is an outcome of disenchantment of the world and change on the one hand, and continuity of sacracy and transcendence, manifested in a powerful religious elite which sets the rules of life with a monopoly in interpreting the scripts. Intrinsic to Islamic modernity is an incompatibility of religious ethics and secular means-end rationality.[17]

Perhaps it is the western perception of the Asian miracle (which in spite of the current crisis will continue in the longer run, although with lower growth rates) and its relatedness to modernity, compared to the more cautious, if not even disapproving attitude towards the Islamic world, which can provide an explanation, why the Islamic countries in Southeast Asia prefer to take part in, and to be associated with, the Asiatic, and not the Islamic-value debate. Probably it is also the inner, self-reliant view of East and Southeast Asia to have economically caught up with the West, what attracts Mahatir and associates. Most ASEAN states, and Malaysia in particular, have taken a radical pro-market course which has not by chance recently been called 'market fundamentalism' (Evers and Gerke 1997: 4) and is associated with modernity *per se* (c.f. Bourdieu 1991). Perhaps also Huntington (1993) backed them up with his unreasonable hypothesis of Confucian-Islamic coalition against the West, in which the Islamic states in Southeast Asia, and particularly Malaysia, would take a key intermediate position.

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[17] Homoud (1995: 5) himself is a victim of this tension by arguing that the philosophy of banking was originally copied from its European origins and implanted into the Islamic world, without being appropriate to it. He explains that European banking philosophy is based on the convergence of capital with capital. This deprives a number of people of taking advantage of the big business, because they do not own anything except their labour power. He continues that in such a philosophy there is no place for the convergence of capital and labour as in the old partnership contracts which have been revived in Islamic banking.

However, beyond a pure ideology, the search of non-western modernity is particularly in the Islamic world an expression of disapproval of what forms one of modernity's key elements: materialism and supremacy of the economy to the social, cultural and religious realm. Both reformers and fundamentalists emphasise the social aspects of Islam, which include social justice and co-operation (Stauth 1992: 11-12) and . Islamic concepts take an opposition to excessive accumulation and wealth while, at the same time, they differ from socialism in an acceptance of private property and ownership of the means of production (Wohlers-Scharff 1983: 74). One critical modernist (Shari'ati 1980: 97-122, see Stauth 1992: 12), for example, argues that society envisaged by Islam is purposefully directed and not left alone or neglected as in the so-called welfare states of the West. Social justice in Islam means to positively involve in society. Reference to family and community as the providers of social security is the expression of this in the Asiatic-values debate. In the Malaysian discourse goals such as ethnic balance and social justice have been emphasised to build up a 'caring society' (Evers and Gerke 1997: 5).

Here I see parallels to the Communitarianist approach which aims at reconstructing community within society. Communitarianists favour a community which is characterised by a well balanced relation between individual rights and social responsibilities, because the consequences of modernisation require consensus on a new - the right - course into future. Society is subdivided in nets which provide moral authorities. Praised are those who do well and blamed those who offend against community values and norms. State authorities intervene in case that all other disciplinary measures fail. The more functioning community, the less necessary is state control (Etzioni 1995: x-xi).

Both the non-western project of modernity and the project of Communitarianism try to overcome the intrinsic tension of modernity by means of strengthening the social realm. Both concepts are therefore in some way comparable to western post-materialist thinking which re-introduces reason and discourse to encapsulate economic or material issues within social, cultural, ecological and ethical boundaries (see e.g. Beck, Giddens and Lash 1994; Habermas 1990; Gasper 1996). Both concepts, however, differ in their rhetoric. The former is perceived as a modern, non-western ethics on religious and social grounds, the latter as a postmodern, deontological ethics - a self-restriction to higher, binding goals and action according to these. What really happens in both discourses is a re-embedding of markets in culture and society.

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